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No. 13

In the

Supreme Court of the United States

OCTOBER TERM, 1964.

WALKER PROCESS EQUIPMENT, INC.,
Petitioner,

vs.

FOOD MACHINERY AND CHEMICAL CORPORATION,
Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Seventh Circuit

BRIEF OF RESPONDENT.

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CITATIONS.

Cases:

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SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1964.

No. 602

WALKER PROCESS EQUIPMENT, INC.,

Petitioner,

vs.

FOOD MACHINERY AND CHEMICAL CORPORATION,

Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Seventh Circuit

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BRIEF OF RESPONDENT.

OPINIONS BELOW.

The opinion of the District Court for the Northern District of Illinois, Eastern Division (R. 64-68) is not reported. The opinion of the Court of Appeals for the Seventh Circuit (R. 80-82) is reported at 335 F. 2d 315.

JURISDICTION.

The judgment of the Court of Appeals was entered on July 15, 1964 (R. 83), and a petition for rehearing was denied on August 14, 1964 (R. 84). The petition for a

writ of certiorari was filed on October 19, 1964, and was granted on January 18, 1965 (R. 84). The jurisdiction of this Court was invoked by Petitioner under the provisions of 28 U.S.C. 1254(1).

STATUTES AND REGULATORY PROVISIONS INVOLVED.

Section 2 of the Sherman Act, 26 Stat. 209, as amended 69 Stat. 282, 15 U.S.C. sec. 2:

> "Every person who shall monopolize, or attempt to monopolize, or combine or conspire with any other person or persons, to monopolize any part of the trade or commerce among the several States, or with foreign nations, shall be deemed guilty of a misdemeanor, and, on conviction thereof, shall be punished by fine not exceeding fifty thousand dollars, or by imprisonment not exceeding one year, or by both said punishments, in the discretion of the court."

Section 4 of the Clayton Act, 38 Stat. 731, 15 U.S.C. sec. 15:

> "Any person who shall be injured in his business or property by reason of anything forbidden in the antitrust laws may sue therefor in any district court of the United States in the district in which the defendant resides or is found or has an agent, without respect to the amount in controversy, and shall recover threefold the damages by him sustained, and the cost of suit, including a reasonable attorney's fee."

Section 282 (2) (3) of the Patent Law, 35 U.S.C. sec. 282 (2)(3):

> "A patent shall be presumed valid. The burden of establishing invalidity of a patent shall rest on a party asserting it.

"The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded:

* * *

"(2) Invalidity of the patent or any claim in suit on any ground specified in part II of this title as a condition for patentability,

"(3) Invalidity of the patent or any claim in suit for failure to comply with any requirement of sections 112 or 251 of this title,"

Section 102(b) of the Patent Law, 35 U.S.C. sec. 102(b):

"A person shall be entitled to a patent unless—

* * *

"(b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States * * *"

Appendix I, 35 U.S.C., 37 C.F.R. sec. 10.16, comprising Patent Office approved form of "Combined petition, oath and specification (single signature form), sole inventor", providing for an inventor's oath in part:

"* * * that I do not know and do not believe that this invention was ever known or used before my invention or discovery thereof, or patented or described in any printed publication in any country before my invention or discovery thereof, or more than one year prior to this application, or in public use or on sale in the United States for more than one year prior to this application * * *"

QUESTIONS PRESENTED.

(1) Whether an asserted fraudulent procurement from the Patent Office and subsequent maintenance of a patent constitutes monopolization *per se* under section 2 of the Sherman Act.[1]

(2) Whether Walker was entitled to attorneys' fees.[2]

STATEMENT OF THE CASE.

Respondent Food Machinery and Chemical Corporation ("FMC") filed suit for patent infringement in June, 1960 (R. 3-4) against Petitioner, Walker Process Equipment, Inc. ("Walker"). The question for the Court is the sufficiency of Walker's third attempt to convert its defense of unenforceability of the patent by reason of alleged fraud on the Patent Office into a claim for treble damages against FMC under the Sherman Act. The intendment of the second amended counterclaim may be best understood in the context of its evolution from Walker's prior pleadings.

Walker's first pleading (R. 10-12) alleged invalidity and non-infringement of FMC's patent and unenforceability of the patent by reason of "unclean hands." Paragraph 11 (R. 11) contained a gloss in which Walker asserted that "this [plaintiff's alleged unclean hands] also constitutes violation of the anti-trust laws." There was no other reference of any kind to purported anti-trust violations.

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[1] The purpose of this brief is to demonstrate that the question as thus presented is the only real question in the case and, if the Court please, must be answered in the negative.

[2] Although FMC deems this question neither substantial nor appropriate for decision by the Court in pursuance of certiorari, the question is briefly discussed in the Argument.

Walker's amended counterclaim, filed some two and one-half years later and after the issue of infringement had become moot because the patent in suit had expired and FMC had sought voluntary dismissal of its complaint (R. 57-59) alleged what it characterized as "technical fraud" (R. 72). Paragraph 16 of the amended counterclaim stated (R. 72):

> "Plaintiff obtained and maintained its patent by virtue of at least technical fraud on the Patent Office, the circumstances indicating, subject to disproof by Plaintiff, that the fraud was willful. There was at least technical fraud in filing the patent application with the usual oath which was inconsistent with facts known to Plaintiff, *i.e.*, facts concerning Plaintiff's own activities in connection with the sale of diffuser units according to the patent in suit, and their installation in sewage treatment aeration tanks more than a year before the application filing date."

The pleading now before the Court, Walker's second amended counterclaim (R. 60-63) again claimed monopolization by reason of alleged bad faith and non-disclosure to the Patent Office of prior public use and asked for adjudication that "this constitutes a fraud on the Patent Office and on this Court, a violation of antitrust laws, and unjust enrichment of Plaintiff."

Both the amended counterclaim (R. 73) and the second amended counterclaim (R. 62) sought to at least "sound" in antitrust by alleging illegal tie-ins, but such claim, as well as the unjust enrichment claim, was quickly abandoned by Walker and is not in issue here. With abandonment of the claim of "illegal tie-ins" the second amended counterclaim returned to rest at the starting point of the original counterclaim and it is thus clear that Walker's claim is confined solely to the theory that

FMC's alleged fraudulent non-disclosure to the Patent Office of prior public use is *per se* illegal monopolization in violation of the Sherman Act.

The Court is respectfully reminded that in this case it is not confronted with an arbitrary dismissal by the District Court of an original antitrust complaint, but rather with the legal sufficiency of a third attempt to convert a defense of invalidity of a patent into an affirmative action for treble damages under the Sherman Act. After its third failure, Walker made no further effort to seek leave in the District Court to amend its claim but elected to stand on the stricken pleading and appeal to the Court of Appeals. Under the circumstances, and at this late date, in fairness to FMC and to the Courts the stricken pleading must be evaluated on its own terms and not in terms of what it might have claimed or in terms of how it might have been amended.

The United States is not a party to this case and is not directly affected. The Solicitor General, however, has filed a brief for the United States as amicus curiae in support of Walker's position. FMC's brief is responsive to the briefs of both Walker and the United States.

SUMMARY OF ARGUMENT.

The case arrived in the Court solely on the question of sufficiency of Walker's third attempt to convert a defense of unenforceability of the patent in suit into an affirmative action for antitrust treble damages. There was no hearing in the District Court; there has been no adjudication of fraud on the Patent Office; the content of the alleged fraud remains purely conjectural and speculative.

With the presentation of briefs by both Walker and the United States as amicus curiae it is now entirely clear that the most Walker claims is that to maintain a patent allegedly obtained by fraud on the Patent Office constitutes *prima facie* or *per se* unlawful monopolization under Section 2 of the Sherman Act. Walker's allegations of "threats of suit" (R. 62) and the fact that FMC filed its infringement action against Walker (R. 62) do not add substantially to the claimed offense or violation but serve essentially to posture Walker with standing to sue as a person allegedly "injured in his property or business" within the meaning of Section 4 of the Clayton Act.

Thus, both Walker and the United States, paying no heed to the lesson available from the Court's decision in *White Motor Company* v. *United States*, 372 U.S. 253, are asking the Court to establish a new, special, *sui generis* category of *per se* antitrust offense called "fraudulent procurement and maintenance of a patent."

First. The Question Presented. Walker's theory is predicated on the erroneous assumption that all patents grant a "monopoly", that all such monopolies necessarily violate Section 2 of the Sherman Act; thus were it not for the special exception or immunity granted to a patentee by the patent law, the assertion by a patentee of rights under a patent would necessarily violate Section 2 of the Sherman Act. Therefore, so the theory runs, if patent rights are nullified by reason of fraud on the Patent Office in obtaining the patent, the immunity from Section 2 of the Sherman Act is correspondingly nullified. *Ergo*, without more, the assertion of any rights under any patent by the fraudulent procurer of such patent automatically violates Section 2.

The conclusion, of course, rests on the logical fallacy of utilizing in the syllogism an ambiguous coordinate term; the word "monopoly" has one meaning in the context of patent rights and an entirely different meaning in the context of trade practices condemned by the Sherman Act. The distinction between the salutary "limited monopoly" or "right to exclude" granted by the patent laws to encourage and reward inventors and gain new technology and industry for the public where none existed before and the Sherman Act monopoly that stifles competition has been carefully guarded by the courts.

The Court is certainly not obliged at this late date in the development of both the Sherman Act and the patent laws to decide a case only to again announce the obvious distinction between patent monopolies and Sherman Act monopolies.

Second. Per Se Illegality. The concept of *per se* illegality under Section 2 of the Sherman Act is novel. The antitrust tradition of the Court as developed in the Section 1 cases and recently summarized and carried forward in the *White Motor Company* decision (372 U.S. 253) is to very carefully limit the areas of *per se* illegality. It is not only unnecessary but it is entirely inappropriate to ask the Court to create a new rule of antitrust illegality *per se* from a situation presented only by a pleading in which the essential wrongdoing remains speculative and which is totally lacking in any suggestion of economic or market effect.

Third. The Offense of Monopolization. Although it seems abundantly clear that the only question presented is whether the alleged wrongdoing is *prima facie, per se* or *presumptively* illegal monopolization under Section 2 of the Sherman Act, Walker may contend, as a las

resort, that it is still open to it to prove monopolization by establishing the relevant market. A portion of the FMC argument is thus devoted to analysis of the Walker claims and to establishing (i) that in no event does Walker claim more than the *per se* equation between patent monopoly and illegal monopolization and that the sufficiency of this equation is the only question involved, (ii) that the Sherman Act concept of monopolization has economic and legal meaning only in terms of a relevant market framework and that such framework is conspicuously missing, (iii) that the attempt of the United States to supply the missing relevant market context by arguing that a patent presumptively monopolizes a "part" of trade or commerce within the meaning of Section 2 of the Sherman Act is a *non-sequitur* devoid of economic or legal meaning, and (iv) that in no event does Walker plead a case of illegal monopolization by FMC.

Fourth. The Opinion of the Court of Appeals. Walker, by its pleading and argument urged the Court of Appeals to adopt a new category of antitrust violation called "fraudulent procurement and maintenance of a patent." The Court of Appeals correctly pointed out that Walker offered no authority in support of its claim since, indeed, there is none. In the context of Walker's position the Court of Appeals' observation that "Walker admits that its anti-trust theory depends on its ability to prove fraud on the patent office" (R. 82) necessarily meant that Walker's antitrust theory was dependent on establishing fraud on the Patent Office as the complete and entire basis of its right to recover. The Court of Appeals properly held that it could not recover on that sole basis.

Fifth. Improvident Grant of the Writ. For purposes of presenting its position and establishing that in no

event did the stricken pleading state a claim for which relief may be granted on the basis of unlawful monopolization, the Argument of FMC assumes that "fraud on the Patent Office" has been sufficiently pleaded. Nonetheless, the asserted fraud is essentially only a characterization by the pleader of the operational facts alleged in the pleading. Walker claims that the applicant misrepresented to the Patent Office that he "does not know and does not believe that the same [the subject of the patent] was * * * in public use or on sale in the United States for more than one year prior to this application (R. 61).[3] From the standpoint of the particularity required by Rule 9(b), Federal Rules of Civil Procedure, at bottom all that Walker alleged was nondisclosure to the Patent Office of prior public use.

Thus the question of fraud is not reached until the threshold question of prior public use is determined. There are numerous cases of protracted experimental or partial use that reflect the difficulty of passing on the question of prior public use, thus militating against a determination of fraud in such cases. Moreover, the cases uniformly hold that prior public use must be established by evidence that is so clear, convincing and cogent as to admit of no reasonable doubt.

Thus, under the circumstances, to ask the Court to hold merely that under some undefined conditions exercise of rights under an assertedly fraudulently procured patent might constitute monopolization under Section 2 is to invite the Court to pass on a hypothetical question. Walker does not, however, ask the Court to

[3] The misrepresentation or asserted fraud arises from the Patent Application of February 2, 1942 by William H. Lannert, assignor to Chicago Pump Co. (R. 7). FMC acquired Chicago Pump Co. in 1954.

permit it to create a further record but relies entirely on the proposition of *per se* illegality by reason of its false equation between so-called "patent monopoly" and Sherman Act monopoly. Accordingly, Walker's case presents no question of legitimate antitrust concern and FMC therefore urges that the case is one in which the Court, upon plenary consideration, should conclude that certiorari was improvidently granted.

Sixth. Attorneys' Fees. The consideration given to the matter by the District Court and the Court of Appeals, particularly since there was no adjudication of fraud, was manifestly sufficient and there are no considerations of public importance concerning the matter which warrant or justify review by the Court.

ARGUMENT.

I. THE SECOND AMENDED COUNTERCLAIM IS DEFICIENT AS A CLAIM ON WHICH RELIEF MAY BE GRANTED FOR MONOPOLIZATION UNDER SECTION 2 OF THE SHERMAN ACT.

A. To Establish Monopolization it is First Necessary to Define or Describe the Relevant Market.

Regardless of the nature or amount of commerce involved the requisites of a cause of action under Section 2 of the Sherman Act remain the same. It is necessary to plead and establish "monopolization", "attempted monopoly" or "combination or conspiracy to monopolize."

Neither the United States nor Walker argue for or claim "attempted monopoly" or "combination or conspiracy to monopolize"—all that is claimed is "monopolization."[4]

At most Walker alleges what might be called "monopoly by patent." However, without allegation and proof of unlawful use of monopoly power in a defined or cognizable economic market area the status of having a monopoly is not, as such, an offense under Section 2 of the Sherman Act.

Whereas under Section 1 the inquiry into legality begins with an analysis of the reasonableness of the alleged restraint or suppression, under Section 2 the

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[4] Both Walker and the United States refer *in passim* to "illegal monopolization"; they can be referring by this only to the offense of "monopolization" within the meaning of Section 2 of the Sherman Act.

inquiry into legality begins with an analysis of the relevant market area. In neither case, except in the narrow domain of *per se* prohibitions can legality be determined without viewing the alleged offense in the framework of wider considerations. What "reasonableness" is to Section 1, the "relevant market" is to Section 2. Each provides the frame of reference that gives economic and legal significance to challenged conduct. As the Court said in *United States* v. *E. I. duPont deNemours & Co.*, 351 U.S. 377, 393: "Section 2 requires the application of a reasonable approach in determining the existence of monopoly power just as surely as did § 1."

The Court has often enough made it clear that the delineation of a relevant market is an indispensible component in the determination of the existence of monopoly power. *Brown Shoe Company* v. *United States*, 370 U.S. 294, 325; *United States* v. *E. I. duPont deNemours & Co.*, 353 U.S. 586, 593-595; *United States* v. *Columbia Steel Co.*, 334 U.S. 495, 527; *Times-Picayune Publishing Co.* v. *United States*, 345 U.S. 594, 610.

B. The Defeated Claim is Solely a Claim of Monopolization per se.

Walker's failure to refer to market considerations and its direct equation of a fraudulently procured patent with a Section 2 illegal monopoly makes it abundantly clear that the issue is limited to *per se* or as the United States expresses it (U.S. Br. 12) *prima facie* illegality.

Nowhere does the stricken pleading set forth a description of business practices in some way involving, relating to, or affecting any relevant market. There are at least two reasons for Walker's neglect of such an indispensable element of its claim. *Firstly*, Walker's sole position is that the mere assertion of rights under a patent al-

legedly obtained by fraud is, without more, equivalent to monopolization under Section 2 of the Sherman Act; *secondly*, the very nature of the FMC patent—a device for moving "swing diffusers" used in sewage treatment systems (R. 5-9) implies that it has many market substitutes and surely does not comprise a relevant market in and of itself. The United States, in casting about for a relevant market, gratuitously went beyond the pleadings to refer to FMC's sale of its swing diffusers (U.S. Br. 13). However, the amended counterclaim (R. 74) shows that Walker itself was manufacturing and selling similar devices for raising diffusing means from an aeration tank—single pivot swing risers and hoists for swing risers.

The concrete situation presented in this case amply illustrates the fallacy in equating the market control defined by a patent with illegal market control obtained by monopolization. The scope of market control through a patent is automatically defined by the claims of the patent. The scope of the relevant market, however, is defined by the range of substitutes "reasonably interchangeable" by users or customers; such range of commodities "make up that 'part of the trade or commerce', monopolization of which may be illegal." *United States v. E. I. DuPont DeNemours & Co.*, 351 U.S. 377, 394-395.

Cameron Iron Works, Inc. v. *Edward Valves, Inc.*, 175 F. Supp. 423 (S.D. Tex.) is a pointed example of application of the relevant market requirement is a case similar to this case. In that case plaintiff sued to enforce its patent covering certain improvements in valves for controlling the flow of abrasive-laden fluids. Defendant relied on the usual patent defenses and filed a counterclaim charging plaintiff with attempting to monopolize the market in valves "sized especially for mudline service

and having resilient sealing surfaces which render them capable of effectively controlling the flow of abrasive-laden fluids circulated in the mud supply system of drilling oil wells." The Court found, however, that the evidence failed to show that any separate market existed in valves with resilient sealing surfaces for mudline service but rather that such valves in fact competed with valves having metal to metal seals.

Unlike the present case, the *Cameron* counterclaim at least attempted to define the market area in which trade was allegedly monopolized. *Cameron* illustrates, however, that not every device or product comprises a relevant market area in and of itself and that to attempt to universally equate "monopoly by patent" with monopolization under section 2 of the Sherman Act is economically and legally meaningless.

C. The Alleged Offense or Violation is not Illegal Per Se under Section 2 of the Sherman Act.

In the seventy five year history of the Sherman Act the Court has held that only a handful among the myriad trade practices comprising the American economy are by their very nature so unduly restrictive and lacking in justification that they are always illegal—that is, illegal, *per se*. In *White Motor Company* v. *United States*, 372 U.S. 253, the Court most recently catalogued the areas of *per se* illegality and refused in the absence of presentation of market and economic data, to extend the holding of *Timken Roller Bearing Co.* v. *United States*, 341 U.S. 593, to certain vertical territorial restrictions.

The tradition of the Court has been to be chary in creating categories of *per se* liability. There is nothing in any decided case under Section 2 remotely suggesting

the existence of a category of *per se* offense in the nature of "fraudulent procurement and maintenance of a patent." No case cited by Walker or the United States implies either the possibility or desirability of such a category.

As in *White Motor Company* the Court is presented only with an abstract proposition. Neither the fact of the so-called fraud, its scope or nature, nor the nature and extent of the relevant market is before the Court. Based on the case pleaded it is clear that Walker deems the relevant market immaterial and has no intention of presenting a case in which the market consequences of the conduct complained of may be appraised in the context of any part of trade or commerce within the meaning of Section 2.

It is also manifest that matters such as prior public use which invalidate a patent usually involve very close and technical questions (discussed *infra*, pp. 27, 28). To strip a patentee of the antitrust immunity conferred by the patent laws and to expose him to treble damage suits is a severe remedy which, if not carefully circumscribed, could have the unintended effect of inhibiting the legitimate purposes of the patent laws. To create such a remedy as a *per se* matter would be intolerable.

Public policy should, of course, move swiftly to strike down efforts to monopolize an industry or a market through patent practices or devices by which trade predators seek to expand the benefit of patents beyond the boundaries of the patent grant. Correspondingly, public policy should be equally alert to protect the rights of patent owners against an onslaught of poorly defined and ill-conceived claims. In view of the objectives of

both the patent system and the antitrust laws it is particularly inappropriate to look for *per se* rules in areas where patents and antitrust are touching.

Moreover, if the United States is correct in its assertion that fraudulent procurement of a patent may be used affirmatively as a ground for declaratory judgment by one threatened by patent infringement charges from the holder of such a defective patent (U.S. Br. 10), then relief, on such basis, is available. Based on such considerations it is quite clear that unavailability of antitrust relief certainly does not leave a gap in the regulatory scheme of patent procurement and enforcement.

Under such circumstances there can be no legitimate concern with seeking to establish applicability of the Sherman Act to the claim presented by Walker. Of course, to the extent that conduct may be characterized as illegal *per se*, the enforcement problems of the Department of Justice are simplified. From the standpoint of the Department of Justice it is thus always desirable to promote the position that conduct is illegal *per se*. However, simplification of enforcement problems is not and should not be paramount in determining the rights of parties under criminal statutes.

D. There can be no "Presumption" that a Patent Monopolizes a "Part" of Trade or Commerce within the Meaning of Section 2.

The United States would like to bridge the gap between "patent monopoly" and monopolization of a relevant market by relying on "a presumption that a patent monopolizes a 'part' of trade or commerce within the

meaning of Section 2." (U.S. Br. 13) This is indeed a sweeping presumption, particularly when it is appreciated that "relevant market" is the *Standard Oil* case "rule of reason", the foundation of Sherman Act construction, translated into terms of Section 2.

Everyone who conducts business or derives revenue from a commercial undertaking is engaged in a "part" of trade or commerce to the exclusion of all others. One preempts—or monopolizes, as it were—such "part" of trade or commerce. However, "part" of trade or commerce under Section 2 of the Sherman Act relates to a relevant market, the degree of control over which may be measured or estimated and appraised as monopolistic or not. Were it not for the aspect of relevant market every corner druggist and grocer would be an illegal monopolist.

The Court has made it abundantly clear that monopolization is not mere preemption of or dominion over an enterprise. In *United States* v. *E. I. duPont deNemours & Co.*, 351 U.S. 377, the Court said (p. 393):

> "A retail seller may have in one sense a monopoly on certain trade because of location, as an isolated country store or filling station, or because no one else makes a product of just the quality or attractiveness of his product, as for example in cigarettes. Thus one can theorize that we have monopolistic competition in every nonstandardized commodity with each manufacturer having power over the price and production of his own product. However, this power that, let us say, automobile or soft-drink manufacturers have over their trademarked products is not the power that makes an illegal monopoly. *Illegal power must be appraised in terms of the competitive market for the product.*" (italics added)

The Report of the Attorney General's National Committee to Study the Antitrust Laws (1955) shows up the fallacy in the theory (U.S. Br. 13) that a patent presumptively monopolizes a "part" of trade and commerce (pp. 47-48):

> "Section 2 of the Act (unlike Section 1) specifies that it applies to offenses affecting '*any* part of the trade or commerce among the several States, or with foreign nations.' In fact, Section 1 has been applied to restraints of competition in markets which are defined and identified in exactly the same way as are 'markets' for purposes of Section 2. It is sometimes suggested that the words 'any part' of trade or commerce in Section 2 refer merely to an amount of business sufficient in volume to overcome the objection *de minimis non curat lex.* But the concept of 'the market' is not brought into the antitrust laws by the words 'any part' in Section 2; rather it is integral to the basic concept of 'monopolization', and the ideas of competition and monopoly on which it rests. Thus, Section 2 of the Sherman Act deals with monopolization affecting *markets* which constitute 'any part' of the trade or commerce covered by the Act. *To be sure, an appreciable amount of commerce is a 'part' of commerce, but control over an appreciable amount of commerce does not necessarily mean control over an identifiable market which constitutes an appreciable 'part' of commerce.* (italics added)
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> • • •
>
> "Sometimes the part of commerce affected by the defendants' conduct will also be a market; but this does not necessarily follow. *Without a finding as to the market involved, there is no way of determining whether or not the defendants have a given degree of market power.*" (italics added)

It is thus obvious that "a presumption that a patent monopolizes a 'part' of trade or commerce within the meaning of Section 2" is hardly a sufficient substitute for allegation and proof of the crucial relevant market requirement of Section 2.

E. When the Claim under Section 2 of the Sherman Act is Monopolization, "Intent" is not Relevant unless Monopolization is Established.

The United States says (U.S. Br. 12):

> "The offense of monopolization under Section 2 of the Sherman Act is established by proof (1) that the defendant possessed the power to exclude competitors from the *relevant market* and (2) that the power was deliberately obtained or maintained." (italics added)

In order to fulfill the first requirement for the offense of monopolization the United States attempted to substitute for the crucial relevant market requirement a "presumption" that a patent monopolizes a "part of trade or commerce". Such prestidigitation, as pointed out *supra* pp. 17-19 is insufficient.

Then, in an effort to fulfill the second requirement the United States says (U.S. Br. 14):

> "We submit that proof of fraud in the procurement of a patent establishes deliberateness, and even 'specific intent', which satisfies the second element of the offense."

However, it is absolutely clear from the prior discussion, *supra* pp. 17-19, and from the quoted definition of monopolization furnished by the United States that unless and until monopoly power in a relevant market is demonstrated, the element of deliberateness or of intent (which may serve to make either the acquisition or exercise of monopoly power unlawful) is immaterial. Therefore, in the absence of even an attempted delineation by Walker of a relevant market, regardless of what "intent" may have accompanied procurement of the FMC patent, the offense of monopolization cannot be established.

The reference by the United States to *Kellogg Co.* v. *National Biscuit Co.*, 71 F. 2d 662 (CA-2), does not in any way modify the foregoing considerations. *Kellogg* was not a Section 2 monopolization case and, in any event, the *Kellogg* court (pp. 665, 666) clearly required more for a cause of action than a bad faith claim to an exclusive right to a trade name.

F. The Monopoly of a Patent Grant and Monopolization Within the Meaning of Section 2 of the Sherman Act cannot be Equated.

Walker's position is based on a failure or refusal to distinguish between the terminology and purposes of patent policy and the terminology and purposes of antitrust policy. It is only by transplanting the word monopoly from the context of patent policy to the context of antitrust policy that it is possible for Walker to even express its claim in antitrust terms.

The same failure to distinguish is expressed in the brief of the United States (U.S. Br. 7):

> "A patent grants a monopoly, and the acquisition of such monopoly by fraud on the Patent Office demonstrates that in monopolizing the patentee acted deliberately—a showing which is sufficient to establish the offense of monopolization."

Both the United States and Walker indiscriminately equate the special privilege granted to an inventor with a monopoly consummated by a successful trade predator. These two concepts of monopoly denote entirely different economic realities and are hardly co-extensive.

To arrive at the conclusion of *per se*, *presumptive* or *prima facie* illegality, it is necessary to start with the

premise that all patents are illegal monopolies under Section 2 of the Sherman Act, but because of the immunity provided by the patent laws, patents comprise legal monopolies. Therefore, if a patent loses the protection of the patent laws by reason of fraud in the procurement (but why not for any other reason?) it is no longer a legally protected monopoly and hence comprises an unlawful monopoly. Unless the word "monopoly" always has the same meaning for both patent and Sherman Act purposes, the syllogism is false.

The Patent Office has described the nature of a patent and patent rights as follows:

> "The exact nature of the right conferred must be carefully distinguished, and the key is in the words 'right to exclude' . . . The patent does not grant the right to make, use, or sell the invention but only grants the exclusive nature of the right. *Any person is ordinarily free to make, use, or sell anything he pleases, and a grant from the Government is not necessary. The patent only grants the right to exclude others from making, using, or selling the invention.* Since the patent does not grant the right to make, use, or sell the invention, the patentee's own right to do so is dependent upon the rights of others and whatever general laws might be applicable. A patentee, merely because he has received a patent for an invention, is not thereby authorized to make, use, or sell the invention if doing so would violate any law."
>
> U.S. Dep't. of Commerce, *General Information Concerning Patents* 20, 21 (March 1954).

The fundamental purposes underlying the Sherman Act have been set forth in many decisions. The end sought to be achieved was to secure the advantages of a free competitive market to the consumer and to

preserve freedom to engage in the business of one's own choosing, safe against the evils of monopoly and illegal restraints of trade.

The antitrust laws of course are based on the philosophy of free enterprise and private initiative. Similarly, the patent laws in seeking to encourage and reward inventors for their contributions and to stimulate them to further effort, are based upon the same philosophy. A patent, by granting to the inventor a "right to exclude", thereby also grants to the inventor what has traditionally been called a "limited monopoly" or a "patent monopoly."

The Report of the Attorney General's Committee to Study the Antitrust Laws (1955) stated (p. 225):

> "*—the patent seeks to increase competition by what is superficially an inconsistent grant of monopoly, but is in fact a mechanism intended to assure competition in invention.*" (italics added)

A recent commentator observes:[5]

> "From time to time, the misconception has spread that patents for inventions are like common law monopolies which choke progress and restrain trade. This is untrue, for a "common law monopoly" takes away from the people some right which they previously had. A patent right, on the other hand, is an exclusive franchise which covers only something new, something discovered or created by the individual. If the patent covers only that which has previously been known in the public domain, the inventor has produced nothing new, his patent is invalid, and his exclusive franchise fails.
>
> "It is regrettable that the term 'monopoly' is so generally and carelessly used to designate the right con-

[5] Briskin, "An Area of Confusion: Patents, Monopolies and the Antitrust Laws," 49 A.B.A.J. 661-62 (1963).

ferred by a patent, since odium is attached to 'monopoly' in the public mind. Much of the confusion lies in the lack of clear understanding of the nature of the patent grant or 'monopoly'."

A comprehensive analysis and description of the development of the patent system and its relationships to antitrust, bearing out the views quoted here, is contained in the dissenting opinion of Mr. Justice Burton in *United States* v. *Line Material Company*, 333 U.S. 287, 328-341.

It follows from the foregoing that Walker's attempted equation between "patent monopoly" and Sherman Act monopolization is not valid, as it must be if Walker and the United States are to sustain the proposition that removal of the protection of the patent grant by reason of fraudulent procurement of a patent automatically results in turning any assertion of rights under the erstwhile patent into a Section 2 offense. The Court's passing observations in different contexts for different purposes in *Standard Oil Co.* v. *United States*, 337 U.S. 293, 307 and *United States* v. *E. I. duPont deNemours & Co.*, 351 U.S. 377, 392 (U.S. Br. 13) do not begin to support any such equation.

II. UPON PLENARY CONSIDERATION THE COURT SHOULD CONCLUDE THAT CERTIORARI WAS IMPROVIDENTLY GRANTED.

The "fraud" that Walker would have the Court use as the cornerstone of a new type of Sherman Act violation is so lacking in substance and definition that it hardly lends itself to construction of a rule of general application. Essentially, the most that Walker alleges is nondisclosure to the Patent Office of prior public use which Walker self-servingly characterizes as "bad faith" and "fraud."

Such non-disclosure is certainly not necessarily a fraud and FMC categorically denies the imputation of fraud. The asserted fraud took place 23 years ago, 12 years before FMC acquired the patent owning company (see note 3, p. 10 *supra*). In any event, if the disputed facts and circumstances as to prior public use were ultimately resolved against FMC, the nature and closeness of the questions involved hardly suggest bad faith or fraud.

A very similar situation was presented to the Court of Appeals for the Sixth Circuit in *Huszar* v. *Cincinnati Chemical Works, Inc.*, 172 F. 2d 6. The court said (p. 11):

> "We think, however, that the finding of fraud was unwarranted. It is an established and salutary principle that fraud is never to be presumed but must be proved by clear and convincing evidence. There must have been an intention to deceive and the mere fact that the appellant swore to affidavits that there had been no public use of his invention for more than one year prior to his application, does not seem to us to be enough to establish such intent when it is clear that the question of whether or not there has been a public use in varied circumstances is one that for many years has troubled the courts with no unanimity of decision thereon, and where, as here, the affiant is not a lawyer. There may have been, and the proofs do not gainsay it, an honest belief that the use to which the alleged invention had been put was not technically a public use within the sense of the statute."

The burden of proving the underlying fact of prior public use (without which the question of asserted fraud cannot even arise) is a strict and over-whelming burden. Patents, of course, are presumed valid (35 U.S.C. sec. 282).

Section 282 of Title 35 U.S.C. provides:

> "The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded:
>
> • • •
>
> "(2) Invalidity of the patent or any claim in suit on any ground specified in part II of this title as a condition for patentability.
>
> "(3) Invalidity of the patent or any claim in suit for failure to comply with any requirement of section 112 or 251 of this title."

Part II of Title 35 provides for "Patentability of Inventions and Grants of Patent," and section 112 provides the manner for "specification" of the applicant's claims. Section 115 provides for an "Oath of Applicant." Section 251 is not material here. In pursuance of sections 112 and 115 the Patent Office provides a form of "Combined petition, oath and specification (single signature form), sole inventor" (35 U.S.C. Appendix I; 37 C.F.R. sec. 10.16). It is the form of oath that contains the subject disclaimer of prior use or sale.

Thus, under the Patent Law, prior public use or sale is conferred as a defense to a patentee's suit claiming validity of his patent and infringement by the defendant. Proof of prior public use or sale invalidates the patent and defeats the suit for infringement.

The cases are uniform in holding that prior public use must be established by evidence that is so clear, convincing and cogent as to admit of no reasonable doubt. *Cantrell* v. *Wallick*, 117 U.S. 689; *Devex Corporation* v. *General Motors Corporation*, 321 F. 2d 234 (CA-7); *Long Manufacturing Company, Inc.* v. *Holliday*, 246 F. 2d 95 (CA-4). In addition, there are numerous cases reported of protracted experimental or partial use that reflect the difficulty of pass-

ing on the question of prior public use. *City of Elizabeth* v. *American Nicholson Pavement Company*, 97 U.S. 127; *Beedle* v. *Bennet*, 122 U.S. 71; *Amerio Contact Plate Freezers, Inc.* v. *Belt Ice Corporation*, 316 F. 2d 459 (CA-9).

It is thus apparent that the establishment of prior public use, let alone fraud, carries a difficult burden. Although prior public use is a statutory defense, the authorities are divided on whether fraudulent, bad faith or other inequitable procurement, as such, is available as a defense. The United States has cited cases permitting the defense to be made and cases in which the defense was held unavailable (U.S. Br. 10). The Court of Appeals did likewise (R. 82). The indiscriminate use of the word "fraud," like the indiscriminate use of the word "monopoly" presents difficulties since it has many meanings; contrary to the contentions of the United States, it is by no means established that any conduct whatever which might be characterized as fraudulent is sufficient to comprise a defense to enforcement of a patent.

The Court, however, is asked to utilize the word "fraud" (as though its content was always fixed and definite) upon which to erect a new category of Sherman Act liability. To decide merely that under *some* conjectural circumstances maintenance of a "fraudulently" procured patent might constitute monopolization under Section 2 would be only to promulgate a truism. To attempt, on the other hand, to delineate the nature of such circumstances would involve the Court in speculative and hypothetical questions. In either event Walker's case would not be advanced since, as made clear throughout this brief, Walker (and the United States) contend only for a *per se* violation.

Finally, the Court's attention is respectfully invited to paragraph 18 of the stricken pleading (R. 61-62) in which Walker claims that by letter of December 18, 1956 it raised the issue with FMC of invalidity of the FMC patent by reason of prior public use. From that point forward Walker, if it had reasonable grounds for believing its own contentions, could have infringed with impunity and successfully defended an infringement suit; or, if the United States is correct (U.S. Br. 10-11) Walker could have sought anticipatory relief from "threats of suit" by proceeding under the Declaratory Judgment Act, 28 U.S.C. 2201. In order to gain any support for the public policy arguments that the United States makes in urging the Court to extend antitrust relief (U.S. Br. 3-4) the United States would have to demonstrate that relief under the Declaratory Judgment Act is unavailable to one threatened with an infringement suit by the holder of a "fraudulent" patent.

It is respectfully submitted that the foregoing considerations place Walker's claim in proper perspective and underscore FMC's contentions that the case is one in which the Court, upon plenary consideration, should conclude that certiorari was improvidently granted.

III. THE COURT OF APPEALS CORRECTLY HELD THAT FRAUD ON THE PATENT OFFICE AS THE SOLE AND COMPLETE BASIS OF RECOVERY DOES NOT STATE A CLAIM ON WHICH RELIEF MAY BE GRANTED UNDER THE SHERMAN ACT.

The proper function of the Court of Appeals and the function exercised by it in this case was to pass on the sufficiency of the District Court's decision. If the decision was proper on any basis the Court of Appeals was obliged to sustain it. *Helvering* v. *Gowran*, 302 U.S. 238, 245.

By its attempted analogy to patent misuse Walker sought to persuade the Court of Appeals that alleged fraudulent procurement of a patent was necessarily offensive to the antitrust laws. However, at bottom, misuse is a defense to enforcement and not every misuse is an antitrust violation.

The logical relation of patent misuse to antitrust violations is summed up in the Report of the Attorney General's National Committee to Study the Antitrust Laws (1955), page 254. The Committee said:

> "We reject the view that any violation of patent law necessarily violates the antitrust laws. From some abuses of patent policy may flow consequences not drastic enough to meet antitrust prerequisites of effect on competition. In addition, many patent abuses are more effectively curbed by simply denying equitable relief as a matter of patent policy. Holding every patent law transgression to be at the same time an antitrust violation would, moreover, put the patent owner on a different footing than owners of other property subject to antitrust. For antitrust has its own measure of permissive and wrongful conduct. To say that action beyond the borders of the patent grant is a *per se* antitrust violation is to ignore the Supreme Court's distinctions between the variant statutory standards of the Sherman, Federal Trade Commission and Clayton Acts as well as to repudiate the body of interpretations distinguishing between offenses unreasonable *per se* and those not."

Title 35 U.S.C., section 282(2)(3) specifically provides for a defense of invalidity based upon statutory defects in procurement of a patent. The Court of Appeals, stating as it did in its opinion (R. 82) that "Walker shows us no case in which the issue of fraud on the Patent Office was used affirmatively in an antitrust action" made the statement only in the context of Walker's claim that the equitable defense of misuse was necessarily convertible, without

more, into an affirmative action under the antitrust laws. The Court of Appeals, in the context of the argument, and based on a careful reading of its opinion, meant nothing more than to say that the equitable defense of fraud in the procurement is not necessarily, as such, the basis of an affirmative cause of action.

Although the Court of Appeals referred to the doctrine that only the United States may sue to annul or cancel a patent for fraud [*Mowry* v. *Whitney*, 14 Wall. (81 U.S.) 434] its decision was not placed on that basis since it cited cases going both ways on the right of infringers to raise fraudulent procurement as a defense.

The distinction for which the United States seeks to use *Becher* v. *Contoure Laboratories, Inc.*, 279 U.S. 388 (U.S. Br. 9), is unavailing since in that case the Court made it perfectly clear (p. 391) that to sustain plaintiff's claim was not to invalidate the patent but merely to get an assignment of it.

The sufficiency of the *Mowry* v. *Whitney* approach is not, however, the real issue before the Court. The only issue is whether the Court of Appeals correctly affirmed the District Court in holding that procurement of a patent by alleged fraud on the Patent Office and subsequent maintenance of such patent is not the equivalent of unlawful monopolization under Section 2 of the Sherman Act. To hold otherwise, as the Court of Appeals recognized in noting that Walker offered no support of its claim "besides offering an analogy to the cases involving patent misuse" (R. 82), would be to create a new category of *per se* antitrust violation called "fraudulent procurement and maintenance of a patent."

Shawkee Mfg. Co. v. *Hartford-Empire Company*, 322 U.S. 271, and the subsequent *Hartford-Empire* litigation relied on by Walker (Br. 8-10) is inapposite since the foundation of subsequent damage claims was the wrongful procurement of a judgment, not fraud on the Patent Office.

In the context of the foregoing, the contention of the United States (U.S. Br. 11) that "[t]he ruling of the court below is the first, to our knowledge, denying a party the opportunity to establish a claim under a federal statute merely because he proposed to prove that the defendant committed a fraud on the Patent Office" is misleading. The Court of Appeals' observation that "Walker admits that its antitrust theory depends on its ability to prove fraud on the Patent Office" (R. 82) indicates that the Court thereby appreciated that Walker's theory was dependent on establishing fraud on the Patent Office as the exclusive basis of its right to recover. The Court properly held that it could not recover on that exclusive basis.

IV. WALKER IS NOT ENTITLED TO ATTORNEYS' FEES.

The District Court observed, "[w]e do not have admitted or adjudicated fraud vitiating the validity of the patent." (R. 66). The Court of Appeals observed that "[t]he District Court analyzed Walker's case and the applicable law when ruling on Walker's motion for fees. This analysis obviates the idea of arbitrariness." (R. 82)

FMC submits that no further review of the question of attorneys' fees is warranted.

CONCLUSION.

For the foregoing reasons it is respectfully suggested that the writ of certiorari should be dismissed as improvidently granted or the decision of the Court of Appeals should be affirmed.

Respectfully submitted,

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